

Message Text

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ACTION EB-11

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C O N F I D E N T I A L MOSCOW 15744

E.O. 11652: GDS

TAGS: EIND BPRO BEXP UR US

SUBJECT: GENERAL MOTORS ACTIVITIES IN USSR

COMMERCE FOR BEWT

REF: MOSCOW 4295

1. SUMMARY. EMBOFF MET DEC 17 WITH ROBERT MALONEY, DEPUTY PROJECT MANAGER, PLANNING AND DEVELOPMENT, GM OVERSEAS OPERATIONS, WHO BROUGHT EMBASSY UP TO DATE ON GM PLANS AND ASPIRATIONS FOR USSR MARKET. WHILE EMBASSY AWARE THAT GM GENERALLY KEEPS WASHINGTON AGENCIES WELL-INFORMED OF ITS EE/USSR ACTIVITIES, WE BELIEVE THAT SOME OF MALONEY'S COMMENTS MAY CONTAIN NEW INFORMATION WHICH SHOULD, OF COURSE, BE STRICTLY PROTECTED. DETAILS FOLLOW BELOW. END SUMMARY.

2. GM TEAM IN MOSCOW IN AUGUST WAS TOLD POINTBLANK BY PROMMASHIMPORT OFFICIALS THAT SOVIETS HAD REJECTED GM PROPOSALS FOR BOTH AIR CONDITIONER AND DISHWASHER PLANTS. WRITTEN CONFIRMATION OF THIS WAS RECEIVED BY COMPANY SEVERAL WEEKS LATER. WHILE GM BID FOR WASHING MACHINE FACTORY STILL BEFORE SOVIETS, MALONEY FEELS THIS PROPOSAL IS EFFECITVELY DEAD AS WELL.

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3. COMPANY CONTINUES TO RECEIVE CONFLICTING REPORTS FROM SOVIETS CONCERNING SPECIFICATIONS FOR PROPOSED KRASNOYARSK TRUCK PLANT. AT FIRST, SOVIETS REFERRED TO PLANT AS "KAMA 2," I.E., ONE HUGE SELF-CONTAINED OPERATION, BUT LATELY HAVE BEEN MAKING NOISES ABOUT FAVORING DE-CENTRALIZED APPROACH, WITH FEEDER PLANTS LOCATED ALL OVER COUNTRY PROVIDING COMPONENTS FOR KRASNOYARSK ASSEMBLY OPERATION. IF LATTER CONCEPT IS ROUTE SOVIETS DECIDE TO TAKE, GM WILL PROBABLY NOT ATTEMPT THE PROJECT (AS OVERALL CONTRACTOR), ACCORDING TO MALONEY, AT LEAST NOT ON FIXED-COST BASIS (ALTHOUGH POSSIBLY IT WOULD ON "COST PLUS" TERMS). MIN AUTO INDUSTRY TARASOV APPARENTLY SHED NO LIGHT ON THIS QUESTION DURING HIS RECENT VISIT TO US, AND MALONEY ATTEMPTING DURING CURRENT TRIP TO ASCERTAIN WITH MINISTRY AND AVTOPROMIMPORT CONTACTS LATEST SOVIET THINKING ON KRASNOYARSK PLANT.

4. MAIN PURPOSE OF MALONEY'S VISIT IS TO MEET WITH STATE COMMITTEE FOR SCIENCE AND TECHNOLOGY (SCST) OFFICIALS TO PRESENT GM PROPOSITION FOR ENTERING INTO DISCUSSIONS WITH SOVIETS WITH VIEW TOWARD CONCLUDING AGREEMENT ON LONG-TERM TECHNICAL COOPERATION. COMPANY IS PROPOSING THAT SUCH AGREEMENT WOULD BE EXCLUSIVELY IN FIELD OF COMMERCIAL LAND VEHICLE TECHNOLOGY, AND IS RECOMMENDING FIFTEEN AREAS OF POSSIBLE COOPERATION, AS FOLLOWS:

- A) BASIC RESEARCH ON COMBUSTION
- B) BASIC RESEARCH ON MATERIALS
- C) BASIC RESEARCH ON CATALYSIS
- D) BASIC RESEARCH ON FUEL CELLS
- E) BASIC RESEARCH ON BATTERIES
- F) BASIC RESEARCH ON POLYMERIC SEMICONDUCTORS

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- G) BASIC RESEARCH ON POLYMERIC SUPERCONDUCTORS
- H) BASIC RESEARCH ON BIO-MECHANICS
- I) BASIC RESEARCH ON ELECTRIC LOCOMOTIVES
- J) BASIC RESEARCH ON OFF-ROAD EQUIPMENT

K) TRAFFIC SCIENCE

L) SAFETY

M) FUELS

N) LUBRICANTS

O) PAINTS

GM IS SUGGESTING THAT NEGOTIATIONS LEADING TO SUCH AN AGREEMENT BE HELD DURING WEEK OF FEB 25, 1974, WITH GM SIDE COMPRISING TEN SPECIALISTS LED BY DR. PAUL CHENEA, V-P, GM, AND DIRECTOR, GM RESEARCH LABORATORIES. NEGOTIATIONS, IF SUCCESSFUL, WOULD RESULT IN FORMAL SIGNING OF AGREEMENT WITH SCST, PERHAPS IN MARCH, PRESIDED OVER BY GM BOARD CHAIRMAN GERSTENBERG. ACCORDING TO MALONEY, ONLY REPEAT ONLY AFTER SUCCESSFUL CONCLUSION OF TECHNICAL COOPERATION AGREEMENT WITH SOVIETS WILL GM DECIDE WHETHER OR NOT TO SEEK ACCREDITATION HERE.

5. COMMENT: AFTER DIFFICULTIES ENCOUNTERED BY "HARD-SELL" APPROACH OF SEVERAL GM REPS DURING VISIT OF COMPANY DELEGATION LAST APRIL (SEE PARA 4, REFTEL), COMPANY APPARENTLY HAS COME TO CONCLUSION THAT TECHNICAL COOPERATION AGREEMENT WITH SCST IS INDEED PROPER WAY TO MOVE TOWARD EVENTUAL LONG-TERM COMMERCIAL TRANSACTIONS WITH USSR. IN ANY CASE, GM NOW CONVINCED THAT ONLY IN AREA OF LAND TRANSPORTATION--VEHICULAR AND RAIL (LOCOMOTIVES)--DOES COMPANY STAND GOOD CHANCE OF SIGNIFICANTLY BREAKING INTO SOVIET MARKET IN NEAR FUTURE.

6. CONCERNING RECENT PRESS LEAKS RELATING TO GM ACTIVITIES IN EE/USSR, MALONEY INDICATED DEEP UNHAPPINESS ON PART OF CONFIDENTIAL

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COMPANY MANAGEMENT AND DETERMINATION TO PREVENT FUTURE RECURRENCES. EMBOFF STRESSED THAT EMBASSY NOT RPT NOT SOURCE OF MOSOW-DATELINED ARTICLE ON GM TRUCK PLANT PROPOSAL AND THAT WE AND DEPTS. OF STATE AND COMMERCE ALWAYS TREAT DISCUSSIONS WITH COMPANY REPS AS PRIVILEGED INFORMATION.SOMMERLATTE

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